1 BEFORE THE ARIZONA CORPORATION COMMISSION 2 COMMISSIONERS 3 MARC SPITZER, Chairman WILLIAM A. MUNDELL 4 JEFF HATCH-MILLER MIKE GLEASON 5 KRISTIN K. MAYES 6 In the matter of: DOCKET NO. S-03545A-03-0000 7 CHRIS HUGH RUTLAND ORDER REVOKING SECURITIES (CRD #1898966) SALESMAN REGISTRATION 8 4781 West Ferret Drive Tucson, Arizona 85742 Decision No. 66766 9 Respondent. 10 11 I. 12 INTRODUCTION 13 On October 14, 2003, the Securities Division ("Division") of the Arizona Corporation 14 Commission ("Commission") filed a Notice of Opportunity for Hearing Regarding Proposed Order of 15 Revocation and for Other Affirmative Action ("Notice") against Chris Hugh Rutland ("Rutland"). 16 II. 17 FINDINGS OF FACT 18 1. Pursuant to A.R.S. § 44-1972, Ariz. Admin. Code R14-4-306, and A.R.S. § 44-1962, 19 the Notice advised Rutland that he would be afforded an opportunity for hearing regarding the allegations 20 made in the Notice if he filed a written request for a hearing with Docket Control of the Commission 21 within ten days after receiving service of the Notice, and filed an Answer to the Notice with Docket 22 Control of the Commission within thirty days after receiving service of the Notice. The Notice further 23 advised Rutland that, if he failed to request a hearing and answer the Notice within the time specified, the 24 Commission could, without a hearing, enter an order against him granting the relief requested by the 25 Division in the Notice. 26

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- 2. On October 15, 2003, the Division effected personal service of the Notice upon Rutland at the address shown in the caption above.
- 3. More than thirty days have passed since service of the Notice, and Rutland has neither requested a hearing nor filed an Answer to the Notice.
- 4. On November 19, 2003, the Division filed with Docket Control of the Commission an Affidavit on Default and Application for Entry of Default. A copy was mailed by certified mail, return receipt requested, to Rutland at his last known address. The certified mailing was signed for on November 21, 2003.
- 5. From May 6, 1997 to June 1, 2001, Rutland was registered as a securities salesman in Arizona and associated with Northeast Securities, Inc., based in Mitchelfield, New York ("Northeast"). On June 1, 2001, Rutland was permitted to resign from Northeast, and since that time he has not been associated with a dealer. Rutland was also employed by Jaron Equities Corporation of Hicksville, New York ("Jaron") from October 1995 to February 1997, before being registered in Arizona. Rutland's last known address is 4781 West Ferret Drive, Tucson, Arizona 85742.
- 6. Effective March 12, 2003, the National Association of Securities Dealers ("NASD") entered an order in NASD Docket/Case Number 8210-3A020005 barring Rutland from any association with any NASD member in any capacity.
- 7. The NASD took that action because Rutland had failed to respond to an NASD request for documents and/or information pursuant to a suspension notice issued in September 2002. The suspension resulted from a complaint the NASD received on July 20, 2001, from an elderly woman who lived in the northeastern United States.
- 8. The NASD is a self-regulatory organization ("SRO") in the securities industry; it is registered as an SRO under the Securities Exchange Act of 1934. Accordingly, Rutland is "subject to an order of . . . an SRO . . . revoking membership or registration as a broker" as specified in A.R.S. § 44-1962(A)(8).

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9. In a separate action arising from the same facts as the above-described complaint, a federal grand jury in the District of New Jersey indicted Rutland for Conspiracy to Defraud. Following a trial in the District of New Jersey, a jury convicted Rutland in March 2003. He was sentenced to fifty one (51) months in federal prison and three years of supervised release, was ordered to pay restitution to the individual victim in the amount of \$553,867.72, and was ordered to have no further involvement in the financial advising business.

- 10. The Division conducted an investigation which revealed that Rutland, along with a coconspirator who was also convicted, conspired to defraud an elderly New Jersey/New York woman of
 money and property by means of materially false pretenses, representations, and promises, through the
 use of mail and electronic fraud, which resulted in the takeover and control of the victim's bank accounts
 and investments. Rutland, acting as the victim's investment advisor, gained access to her assets, in the
 process putting himself in a position to prepare her tax returns for the years 1996 through 2000. Rutland
 liquidated the victim's assets, placed them into annuities and money market accounts, and submitted false
 documents changing asset ownership to the co-conspirator, who systematically withdrew the funds for
 the benefit of Rutland and the co-conspirator, to the point where the victim's funds were nearly or entirely
 depleted.
- 11. The conspiracy began in or about 1991 and continued through or about May 2001. The conspiracy included assets the victim owned in both insurance and securities accounts. Sixteen overt acts outlined in the indictment essentially resulted in the co-conspirators depleting the victim's various investment accounts. One specific overt act alleges that Rutland, presumably after the conspiracy was exposed, claimed not to know his co-conspirator, and blamed clerical errors for the appearance of the co-conspirator's name on the victim's accounts.

III.

CONCLUSIONS OF LAW

12. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

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	13.	The Notice was effectively served upon Rutland on October 15, 2003, pursuant to
A.R.S.	§ 44-19	972, and Ariz. Admin. Code R14-4-304 and R14-4-306. The Notice effectively advised
Rutland	of his	opportunity to request a hearing and answer the Notice, and advised him of the effect of
his failu	re to do	SO.

- 14. Rutland failed to request a hearing or answer the Notice within the time limits specified by the statute and rules cited in the preceding paragraph.
- 15. Grounds exist to revoke Rutland's registration as a securities salesman in Arizona pursuant to A.R.S. § 44-1962. Specifically, Rutland:
 - a) Is subject to an order of an SRO revoking his membership or registration as a broker, as specified in A.R.S. § 44-1962(A)(8);
 - b) Lacks integrity or is not of good business reputation, as specified in A.R.S. § 44-1962(A)(4);
 - c) Has engaged in dishonest or unethical practices in the securities industry, as specified in A.R.S. § 44-1962(A)(10); and/or
 - d) Has been convicted within ten years preceding the date of filing the application for registration as a salesman, or at anytime thereafter, of a felony or misdemeanor involving a transaction in securities, of which fraud is an essential element or arising out of the conduct of any business in securities, as specified in A.R.S. § 44-1962(A)(6).

IV.

ORDER

THEREFORE, on the basis of the Findings of Fact and Conclusions of Law set forth above, the Commission finds that the following Order is appropriate, in the public interest, and necessary for the protection of investors:

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IT IS ORDERED, pursuant to A.R.S. § 44-1962, that Chris Hugh Rutland's registration as a 1 securities salesman in Arizona is revoked. 2 BY ORDER OF THE ARIZONA CORPORATION COMMISSION 3 4 5 /s/ Marc Spitzer William A. Mundell Jeffrey Hatch-Miller COMMISSIONER CHAIRMAN COMMISSIONER 6 7 Lowell Gleason Kristin Mayes COMMISSIONER COMMISSIONER 8 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, 9 Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the 10 official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 5th 11 12 13 /s/ Brian C. McNeil BRIAN C. McNEIL 14 Executive Secretary 15 DISSENT 16 17 This document is available in alternative formats by contacting Yvonne McFarlin, Executive Assistant to the Executive Secretary, voice phone number 602-542-3931, e-mail ymcfarlin@cc.state.az.us. 18 19 20 21 22 23 24 25 26